

Introduction

Upon completion of CDBG approved activities and/or the expenditure of all CDBG funds in conformance with program guidelines, the recipient enters the final phase in the grant management known as grant close-out.

The close-out process actually encompasses a series of activities that together verify that CDBG funds have been properly spent and that the recipient complied with all applicable rules and requirements in the implementation of its program. In addition, the timeliness with which the recipient completes the close-out process, and the content of the information presented during that process, is a factor in the evaluation of future applications for CDBG funds.

Recipients will be expected to carry out the project as proposed in the application. The proposed activities should be completed and the proposed beneficiaries should be served prior to project close-out. To achieve this, recipients may be expected to provide additional funds to meet the proposed accomplishments if actual accomplishments are significantly less than proposed. If there is a change of scope or project cost that would affect the proposed accomplishments or beneficiaries by 10 percent or more, the requirements for a project amendment must be followed. Failure to carry out the project as proposed will be considered a performance concern in future application requests.

This procedures outlined in this chapter must be followed to close out CDBG grants from the State.

Section 1 - Close-Out Procedures

Upon Finance's receipt and processing of the final *Request for Payment*, the close-out process will begin.

First, Finance will send financial documents and reports to Grants Administration. These documents will be included with others in a grant close-out package that will be sent to the recipient by Grants Administration. This package has two parts – programmatic and financial – which are detailed below.

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Programmatic Close-Out

Section I of the close-out package is the programmatic portion. It is made up of the following items:

- ◆ *Grantee Final Performance Report, F1* – This report serves as a cover sheet or checklist for the various forms and documents, including photos of the project that must be submitted in order to close-out a grant. It also serves as a final certification by an authorized official representative.
- ◆ *Actions to Affirmatively Further Fair Housing Form* – This form requires the recipient to list actions taken and results achieved to affirmatively further fair housing. Include an *estimate* of the costs (time and material costs combined) involved in carrying out the actions listed regardless of the funding source.
- ◆ *Final EO-2 Activity and Beneficiary Report* – This report requires the recipient to list activities from the approved grant application and the beneficiaries of each activity by income level, race/ethnicity and type of household.
- ◆ *Final EO-2 Applicant Report* – this report is only required for direct benefit activities (housing, water/sewer connections, jobs), and requires applicants to be listed by race and ethnicity.
- ◆ *Performance Accomplishments* – The recipient must complete this form, indicating the actual performance accomplishments and various details regarding the assistance. The specific details vary based on the type of project undertaken. This information is required by HUD's Integrated Disbursement and Information System, the database used to draw funds and report activities.
- ◆ *Public Hearing* - The recipient must conduct a public hearing to discuss the project's accomplishments. The recipient must submit an affidavit or tear sheet to document notice of this public hearing along with the minutes of the meeting as part of the close-out package.

If proposed performance accomplishments were not met, or if there was a significant change in the accomplishments, a public hearing and/or a project amendment may be required (discuss with Grant Manager).

In addition, the following steps must also be taken, as applicable, during the programmatic portion of the close-out process:

- ◆ The recipient must submit evidence of compliance with special conditions in the grant award related to close out or performance. For example, the grant might have been conditioned that a final audited cost statement must be submitted at close-out.

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- ◆ The recipient must submit a copy of the Permit to Operate (for applicable water and sewer projects) or Certificate of Occupancy (for buildings).
- ◆ The recipient must submit documentation of LMI benefit that has not been previously monitored.
 - For new water/sewer services, submit a list of household addresses connected, household self certifications, and a customer billing list.
 - For other direct benefit projects, submit copies of self certifications or other documentation of LMI benefit.
- ◆ The recipient must submit certified "as built" drawings or a certified map showing the location and type of CDBG improvements with the close-out package. These will be reviewed and compared to the application and amendments to determine compliance with program requirements. Costs will be disallowed where changes have not been approved by Grants Administration. If requested by the recipient, these drawings will be returned upon completion of the close-out process.
- ◆ The recipient must submit a final waiver of liens from the contractor including subcontractors. This release must be obtained by the recipient prior to the final payment of retainage to the contractor.
- ◆ The recipient should submit in an electronic format digital photos of the area, each unit or building assisted, etc. showing the property before and after improvements if available, or the completed improvements.
- ◆ The recipient must submit the *Grantee Section 3 Report* if the final report has not been previously submitted along with any Contractor final New Hires and Business Utilization reports. (These reports are located in the attachments to Chapter 15: Reporting, Amendments and Monitoring.)
- ◆ The recipient must also submit any additional documentation or certifications that may have been required as a result of monitoring such as a final audited cost statement or certifications of compliance.

Financial Close-Out

As stated previously, when Finance receives the final *Request for Payment* documenting all funds received and expended for the project, the financial close-out process will begin. First, Finance will send financial documents and reports to Grants Administration. A grant cannot be closed out until it has been monitored by Grants Administration. Grants Administration will include these reports in the grant close-out package. The financial close-out documents include:

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- ◆ *Deobligated Budget Form*
 - The recipient should review the *Deobligated Budget Form* report along with the accounting records for the project to ensure:
 - ◇ All funds have been disbursed in the local CDBG bank account(s).
 - ◇ Federal documented expenditures for each budget item from the computer report agrees with the total expenditures for each budget item reflected in the accounting records. If not, make appropriate pen corrections on the computer report.
 - ◇ Total actual documented expenditures itemized by Federal, Local and Other funds agree with the totals reflected in the accounting records. If not, make appropriate pen corrections on the form.
 - The deobligated budget will show the total leveraging provided by the local government. Actual expenditures, donations, in-kind and volunteer amounts will be shown on this page. It is expected that the percentage of leveraging will remain the same, as competitive projects with additional leveraging received a scoring advantage in the selection process. If leveraging from the local government is reduced from the original amount, an explanation must be provided and the grant cannot be closed until a budget revision is approved. Further, if the reduction is more than 10%, it could affect threshold and capacity and performance for future projects. A possible requirement could be that the locality spends the same amount of funds on other CDBG eligible projects prior to closeout or future application.
 - If pen corrections exceed the latest approved budget (not the deobligated budget), a *Request for Budget Revision/Project Period Extension* form must be submitted. (This form is provided in the attachments to Chapter 15: Reporting, Amendments and Monitoring.)
 - ◇ If the pen correction includes local match, a budget revision is not required as long as documented match is not less than the latest approved local match budget.
 - An authorized official must sign the computer report to certify that the reported expenditures (inclusive of any pen corrections) are correct.
- ◆ *Grant Award Decrease for Close-out form* – If, in spite of prior amendments, budget revisions and cost-savings plans, project costs still run under budget and all funds are not expended (total project costs are less than the amount specified in the grant award), a *Grant Award Decrease for Grant Close-out Form* must be submitted as part of the

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close-out package. This will reduce the grant award to reflect actual costs. When the recipient and/or other entities are funding an activity along with CDBG funds, to the extent allowable, the cost savings should be prorated among all funding sources. The *Grant Award Decrease for Close-out form* must be completed, signed by the appropriate officials and returned with the computer report to Grants Administration.

- ◆ Further, if funds were drawn and not expended, a check for the funds unexpended must be mailed to Finance and made payable to the Department of Commerce. Also, the grant number must be denoted on the check. Upon receipt of the *Grant Award Decrease form*, the Grants Administration Federal Programs Manager will sign the form and return a copy to the recipient for their records with the close out letter.
- ◆ *Equipment Control Record Form* – This form must be completed if any non-expendable property was purchased with CDBG funds. (See Chapter 3: Financial Management for more information.)

In addition, the following steps must be taken by the recipient during the financial portion of the close-out process:

- ◆ All interest earned on the CDBG main bank account, less the \$100 per year for administrative expenses, must be returned to Finance. The check must be made payable to HUD with the grant number denoted on the check.
- ◆ If applicable, any interest earned on the escrow account, less service charges, must also be returned to Finance with a check made payable to HUD and the grant number denoted on the check. (See Chapter 3: Financial Management for more information on escrow accounts.)
- ◆ Recipients establishing a revolving fund with CDBG program income must submit local revolving fund guidelines to Grants Administration for review prior to the expenditure of such funds and prior to close-out. (See Chapter 4: Program Income for additional information on revolving funds and program income.)
- ◆ A *Grant Close-out Agreement for CDBG Projects Not Having Submitted a Final Audit* must be submitted. The purpose of the *Grant Close-out Agreement* is to have the recipient acknowledge, by the signature of its authorized local official, that the grant is being closed-out pending the submission of a final Single Audit, if required, and that it will comply with all audit requirements associated with receiving CDBG funds from the State. (This agreement is provided as an attachment to this chapter. Refer to Chapter 3: Financial Management for more information on audit requirements.)

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- ◆ Finally, the recipient must also clear all findings from monitoring reports before closure of the grant can be completed.

Submittal, Review and Approval of the Close-Out Package

Upon the recipient's receipt of the close-out package, the recipient has forty-five days to complete and return the close-out package to Grants Administration. Grants Administration will send a follow-up letter to the recipient within one week of the expiration of the forty-five days if the completed close-out package has not been received.

The close-out package will be date stamped upon receipt by Grants Administration, and the financial portion of the package forwarded to Finance for review.

Failure to close-out grants in a timely manner could jeopardize the receipt of future grants.

The programmatic portion of the package is then analyzed by Grants Administration to ensure that the recipient has met program objectives and that projected levels of benefit were achieved.

When Finance staff approves the financial forms and reports, an official approval is sent to Grants Administration to be placed in the recipient's grant close-out file.

After the programmatic and financial portions of the package have been approved, a close-out letter is mailed to the recipient. There are four different close-out letters that a recipient might receive:

1. Final Close-out (no audit required),
2. Close-out pending receipt and approval of audit,
3. Close-out pending beneficiaries or performance measures and receipt of approval of audit, or
4. Close-out pending beneficiaries or performance measures (no audit required).

Letters two, three and four require one or more additional steps to be completed after the close-out package has been approved. These steps are discussed below.

Section 2: Post Close-Out Requirements

If the recipient receives a close-out letter pending submittal of an audit, it must have a Single Audit conducted in accordance with OMB requirements. (See

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Chapter 3: Financial Management for more information.) **Finance must receive the audit within nine months of the end of the recipient's fiscal year.**

The audit will be reviewed by Finance to ensure that the recipient has met all financial requirements. Once the audit has been approved and the programmatic close-out has been achieved, a final close-out letter and *Grants Administration Final Close-Out form* will be sent to the recipient. The recipient in its file must retain all program records plus the *Final Close-Out form* for a period of not less than three years after close-out of the HUD allocation to the State. The State cannot close any year's CDBG allocation until every grant funded out of the year has been programmatically closed. This includes grants subsequently funded all or in part with the returned or recaptured funds. Grantees will be notified when this occurs.

If the recipient receives a programmatic close-out letter pending receipt of beneficiaries, it is required to do the following:

- ◆ The recipient must submit a *CDBG Quarterly Status Report (Q-1)*. This report will be required until the recipient is able to certify that the required numbers of jobs/beneficiaries have been created, and Grants Administration has monitored the project to verify these benefits.
- ◆ When the recipient has documented final beneficiaries or met its job creation requirement, it must submit the *Final EO-2 Activity and Beneficiary Report*.
- ◆ The recipient must also submit an audit, if required, in accordance with the instructions detailed previously in this section.

If all other documentation, including an audit, has been received, a *Final Close-Out form* will be issued.

Chapter 16: Grant Close-Out Process Attachments

Grantee Final Performance Report (F1) (Revised 10/14)

Actions to Affirmatively Further Fair Housing

Performance and Accomplishment Report

Final EO-2 Activity and Beneficiary Report

Final EO-2 Applicant Report

Final EO-2 Samples and Instructions

Equipment Control Record Form

Grant Close-Out Agreement (for CDBG Projects Not Having Submitted a Final Audit)

Grant Award Decrease for Closeout Form